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CHAPTER 13

PROCUREMENT/DISPOSITION OF FOREIGN FUNDS1301 AUTHORITY FOR PROCUREMENT

130101. General. When authorized in writing by the commander or higher authority, foreign funds may be obtained for official purposes. Official purposes include the purchase of foreign currency for disbursing requirements, the purchase of drafts payable in foreign currency for paying creditors, and exchanging official funds held in foreign currency or negotiable instruments for U.S. dollars or negotiable instruments. Foreign funds obtained may be in the form of currency or credits maintained in limited depository checking accounts. The written authority to obtain foreign funds shall be retained in the files of the DO.

130102. Limitation on Amount. DOs shall not acquire or hold foreign funds in excess of their immediate disbursing requirements. The availability of foreign funds shall determine what amounts of funds may be held. If the foreign funds are readily available, the combined total of foreign currency on hand and the balance in all limited depository checking accounts shall not exceed 2 or 3 business days' requirements. If the foreign funds are not readily available, the combined total of foreign currency on hand and the balance in all limited depository checking accounts shall not exceed 7 business days' requirements. A waiver from these maximum on hand limits must be requested from the Treasury Department via the supporting DFAS Center.

130103. Foreign Coin. DOs generally shall limit foreign funds to paper currency. Coins present problems of weight, storage space, transportation, and disposition and shall be acquired only under special circumstances to fill a specific need or when received as change in connection with an official cash payment in foreign funds.

1302 PROCUREMENT OF FOREIGN FUNDS130201. Transfer of Funds on Relief of DO

A. Cash. Transfer of cash funds in foreign currency shall be effected in the same manner as U.S. dollars.

B. Limited Depository Checking Account. Transfer of limited depository checking account balances shall be accomplished in accordance with Chapter 14 of this volume.

130202. Certificate or Statement. With all procurements of foreign currency from U.S. Government or commercial sources, a certificate or statement shall be furnished showing the amount of foreign currency delivered, the rate of exchange, the amount of U.S. dollars paid,

the date, and the source/seller. The certificate or statement shall be included as part of the DO's monthly financial reports.

130203. DoD Contract Military Banking Facility (MBF). Whenever possible, DOs shall purchase foreign currency (including funds for limited depository checking accounts) through an MBF by Treasury check issued in exchange for the foreign currency. The DO shall draw the exchange-for-cash check payable to himself or herself and endorse it to the order of the MBF furnishing the foreign currency.

130204. U.S. Government Sources. When an MBF is not available, DOs shall obtain needed foreign currency (including funds for limited depository checking accounts) in accordance with this paragraph. Whenever possible, foreign currency shall be obtained by purchase from one of the following: the U.S. Treasury; other DoD DOs; U.S. DOs or cashiers at the American Embassy or Legation; or, the Federal Reserve Bank of New York (FRBNY). Normally, the DO will draw an exchange-for-cash check payable to himself or herself and endorse it to the order of the officer furnishing the foreign currency. However, when foreign currency is purchased from a U.S. DO or cashier at an American Embassy or Legation, the check may be issued in favor of the American Embassy or Legation if so requested by the selling official. In 1992, the FRBNY began offering foreign currencies to any DoD DO. The procedure for ordering foreign currency from the FRBNY is very similar to that for ordering U.S. currency. The DO places an order with the FRBNY for the foreign currency needed and provides an exchange-for-cash check drawn in favor of the FRBNY with the order.

130205. Commercial Sources. When neither an MBF nor other government sources are available, foreign currency (including funds for limited depository checking accounts) may be purchased from commercial sources under the procedures established by State Department regulations or the currency control laws of the country where the currency will be used. If there are no State Department procedures established, foreign currency shall be procured at the best rate available (i.e., fixed legal rate or non-fixed legal rate) in accordance with the laws of the country where the currency will be used. Generally, at least three bids will be obtained in order to determine the "best rate." See paragraph 130208, below. Purchases of foreign currency from commercial sources shall be by U.S. Treasury check, whenever possible, or, if necessary, by U.S. currency. Treasury checks drawn to obtain foreign currency from commercial sources shall be drawn in favor of the DO and endorsed to the order of the banking institution or commercial enterprise furnishing the funds.

130206. Repurchase From Individuals and Collections From Foreign Vendors. Subject to the provisions outlined in Chapter 12 of this volume, foreign currency may be repurchased from individuals. Foreign currencies also may be received as refunds from foreign vendors and in payment for sale of excess foreign property as provided in the Defense Utilization and Disposal Manual (DoD 4160.21-M) (reference (bj)). Foreign currency sales receipts from post offices, exchanges, commissaries, and other non-appropriated fund activities are not collections by the disbursing office. Foreign currency from these sources shall be acquired by purchase

only to the extent necessary to acquire foreign exchange for the limited depositary checking account.

130207. Fixed Legal Rate of Exchange. In a country where the rate of exchange has been established by agreement between the United States and the foreign country, the purchase of foreign currency from commercial sources shall be accomplished without the formality of obtaining bids.

130208. Non-fixed Legal Rate of Exchange. When foreign currency is obtained from commercial sources in a country where the rate of exchange is not established by agreement between the United States and the foreign country, DD Form 2668 (Request for Bid (Purchase/Sale)) shall be used to obtain written bids (in duplicate) from not less than three legally authorized sources, if available. When practical, sources shall include those outside the country whose currency is being purchased. The bid providing the most beneficial exchange rate (to the U.S. Government) shall be certified by another commissioned officer as being the most beneficial of the bids obtained and shall be accepted by the DO. A copy of the certified and accepted bid shall be included as a supporting document with the DO's financial reports. The original certified and accepted bid shall be retained by the DO to substantiate the place of purchase in the event that some of the currency is eventually sold through commercial channels. See figure 13-1.

130209. Mutilated or Unfit Currency. DOs and authorized agents shall take every possible precaution to prevent acceptance of mutilated or unfit foreign currency as a collection, payment, or an accommodation transaction. In the event that a DO or authorized agent is holding mutilated or unfit foreign currency, every effort shall be made to replace it through local banks or the host country's central bank. If the host country will not replace the mutilated or unfit currency, the procedures outlined in section 1303, below, shall be followed.

130210. Valuation of Foreign Precious Metal Coins. Any foreign gold, silver, or other precious metal coins purchased for purposes other than routine settlement of amounts owed, shall be treated as property held in inventory rather than currency.

1303 DISPOSITION OF FOREIGN CURRENCY AND OTHER NEGOTIABLE INSTRUMENTS

130301. Payments and Sales to Authorized Personnel. Foreign currency may be used for payments to personnel as provided in Chapter 12 of this volume and for payments to foreign vendors in accordance with Volume 10 this Regulation. In addition, DOs are authorized to dispose of foreign currency by sale (accommodation exchange) to authorized personnel for U.S. dollars as provided in Chapter 12 of this volume.

★ 130302. Disposition of Excess Foreign Funds. An attempt should be made to transfer those foreign currencies in excess of immediate disbursing requirements to other DOs and accountable officers in a particular locality who may have need for those currencies. If the

collection of foreign currency causes a non-interest bearing limited depositary checking account to exceed a 30-day supply, and all attempts to sell the currency to other DOs or accountable officers have been exhausted, an interest bearing limited depositary account shall be established, if possible, as provided in Chapter 14 of this volume. In such cases, the DO immediately should place all funds in excess of estimated draw-downs against the non-interest bearing account for the ensuing 14-day period in a demand or short-term interest bearing account, if such an account is available. However, balances shall not be maintained routinely in order to receive interest.

130303. Sale to Another DoD DO

A. Checks, Drafts, and Money Orders. Checks, drafts, and money orders which are payable in foreign currency shall be sorted by the geographical location of the institutions on which they were drawn and shall be forwarded by registered mail or courier to a DoD DO located in the country of the monetary unit involved. The negotiable instruments shall be shipped as prescribed in Chapter 5 of this volume and shall be accompanied by a properly completed DD Form 165 and a letter of transmittal, both of which shall be addressed to "Disbursing Officer (activity of addressee)." The letter of transmittal shall request a U.S. Treasury exchange-for-cash check. The DD Form 165 shall indicate the country, type, amount, exchange rate, and U.S. dollar value of the instruments. The instruments shall be endorsed: "Pay to the order of disbursing officer (activity of addressee). (Signature of sender)."

If there is no DoD DO in the country involved, the instruments shall be deposited as prescribed in paragraph 130306, below.

B. Foreign Currency (Cash). Foreign currencies (other than local currency) and currencies that are not required for official purposes shall be forwarded to a DoD DO located in the same area who may require the currency or to a DO located in a country where the currency is legal tender. The foreign currency shall be exchanged for U.S. currency or a U.S. Treasury exchange-for-cash check. When delivery of the foreign currency is made by registered mail or courier, the shipment shall be made as prescribed in Chapter 5 of this volume and shall be accompanied by a properly completed DD Form 165 and a letter of transmittal requesting a U.S. Treasury exchange-for-cash check. The DD Form 165 shall indicate the country, type, amount, exchange rate, and U.S. dollar value of the foreign currency. Except under unusual circumstances, and subject to concurrence by the intended recipient prior to shipment, foreign coins shall not be forwarded for exchange.

C. Rate of Exchange. The rate of exchange used for the transactions described above shall be the U.S. Treasury prevailing rate on the date of transmittal (for the seller) and the U.S. Treasury prevailing rate on the date of receipt (for the buyer). Since the U.S. Treasury prevailing rate is the holding rate for the receiving office there shall be no gain or loss in the receiving officer's accounts. Any gain or loss due to exchange rate fluctuations shall be taken up by the selling office when the exchange-for-cash check is received.

130304. Sale to an MBF. The sale of foreign currency to an MBF having use for such funds is authorized whenever the currency cannot be sold to another DoD DO. The rate of

exchange used by the selling DO shall be the MBF buy rate on the date the currency is sent to the MBF. Any gain or loss incurred shall be taken up in the accounts of the selling DO upon receipt of the U.S. dollars from the MBF.

130305. Sale Through Commercial Channels. If foreign currency (cash) cannot be sold in accordance with the preceding paragraphs, sale through commercial channels is authorized. When the rate of exchange has been established by agreement between the United States and the foreign country, sale or other disposition of foreign currency for U.S. currency or U.S. dollar checks shall be at the established rate of exchange. When such a sale is made, the bank or other source to which the foreign currency is sold must provide a statement showing the amount of U.S. dollars provided, the rate of exchange, the amount of foreign currency received, the date, and the name and address of the bank or other source. This statement must be signed by a representative of the bank or other source and shall be included with the DO's financial reports. When the rate of exchange is not established by agreement between the United States and the foreign country, a DD Form 2668 shall be used to request at least three bids from reputable banking institutions or dealers in foreign exchange, if available. The sale of foreign currency shall be made to the bidder submitting the bid most beneficial to the U.S. Government. The accepted bid shall be certified by a commissioned officer other than the DO as the most beneficial of the bids obtained and shall be accepted by the DO. The certified and accepted bid shall be submitted with the DO's financial reports in support of gains or losses in foreign currency transactions. See figure 13-2.

130306. Deposits to the Credit of the U.S. Treasury

A. Instruments Drawn on Foreign Banks Payable in U.S. Dollars Through a Bank in the United States. Instruments drawn on foreign banks or branches of U.S. banks in U.S. dollars which are payable through a bank in the U.S. shall be deposited as prescribed in Chapter 5 of this volume for other U.S. dollar instruments. These instruments will bear an American Bankers Association (ABA) routing and transit number, and may be MICR encoded with the routing and transit number at the bottom of the left side of the instrument.

★ B. Instruments Drawn on Foreign Banks Payable in U.S. Dollars Through Foreign Banks. When disposition cannot be made through a DoD DO or an MBF, instruments that are drawn in U.S. dollars on foreign banks and foreign branches of U.S. banks, which are payable only at the foreign bank or branch, shall be endorsed as prescribed in Chapter 5 of this volume and transmitted for deposit to Citibank NA Foreign Check Clearing, 2 Penns Way, First Floor, New Castle, DE 19720 (Telephone: (302) 324-6792). A single SF 215 shall accompany all U.S. dollar foreign instruments forwarded to the Citibank on a single day. The SF 215 shall be completed as prescribed in Chapter 5 of this volume with the exception that Block 2 (Date Presented or Mailed to Bank) shall be left blank. Enter the date mailed in Block 6 (Agency Use). The record of instruments deposited required by Chapter 5 of this volume also is required for these checks. The amount of the deposit will be credited in the Treasury's General Account (TGA) upon receipt by Citibank, and the confirmed copies of the SF 215 will be returned to the depositing disbursing officer. The entire amount of the SF 215 is credited in the TGA upon

receipt even though the proceeds of these types of checks may not be collected for several weeks. Therefore, disbursing officers should be aware that they may receive and SF 5515 (Debit Voucher), if there are uncollectible checks or collection charges (also referred to as lifting fees) on these checks.

C. Instruments Drawn on Foreign Banks Payable in Foreign Currencies.

When disposition cannot be made through a DoD DO or an MBF, instruments that are drawn on foreign banks and foreign branches of U.S. banks, which are payable only at the foreign bank or branch in foreign currency, shall be endorsed as prescribed in Chapter 5 of this volume and transmitted for deposit to Citibank (same address as shown in the preceding paragraph). However, a separate SF 215 shall accompany each foreign currency instrument forwarded to the Citibank. The SF 215 shall be completed as prescribed in Chapter 5 of this volume, except that Block 2 (Date Presented or Mailed to Bank) and Block 4 (U.S. dollar amount) shall be left blank. Enter the date mailed in Block 6 (Agency Use). To permit reconstruction in the event an instrument becomes lost, destroyed, mutilated or unfit, a description of each instrument shall be maintained by the DO. The front of the SF 215 or the back, if space is lacking on the front, shall be inscribed with: the name of the bank on which the instrument is drawn; the medium of exchange; the foreign currency amount; and the date of the instrument. If adequate records are available to provide identification through an audit trail, or if checks are photocopied or microfilmed, this additional record maintenance is not necessary. Upon collection of the instrument, Citibank will enter the date and U.S. dollar value on the SF 215 and return the confirmed copy to the DO.

D. Uncollected Checks and Collection Charges. The minimum U.S. dollar amount of each check that will be accepted for deposit by Citibank is \$5 (U.S.) for Canadian bank checks and \$15 (U.S.) for other foreign bank checks. All collection charges (lifting fees) incurred in connection with foreign checks (such as uncollectible check charges, exchange fees, and so forth), assessed after dollar credit has been given in the TGA, will be charged back to the depositor via an SF 5515 prepared by Citibank. These charges may be assessed some considerable period of time after the deposit is confirmed. Exchange fees and other collection charges (as distinguished from gains or losses as a result of differences between the rates of exchange used by the DO and Citibank) are collectible from the person or vendor who presented the instrument to the DO.

E. Deposit of Foreign Currency (Cash)

1. When disposition of foreign currency (cash) cannot be accomplished by any of the methods described above, the DO should contact the Bank of America's foreign currency trading desk at 1-800-387-1012. When answering, the foreign currency trader will ask for the 5-digit client number, 37539, as well as the 4-digit Agency Location Code (ALC), i.e., the DSSN. The client number is unique to the Department of the Treasury. The DoD DO will be identified as an extension of the 5-digit client number using the ALC (DSSN). After accessing the client number, the trader will create a sublist of branches/agencies using the ALC (DSSN) and ask the caller for information to update the ALC profile (address, direct phone number, contact name).

2. The foreign currency trader immediately will provide a foreign currency conversion rate and the U.S. dollar equivalent (USE). The Bank of America is able to provide the USE by contracting at that time to sell those foreign currencies for dollars. Therefore, if a DoD DO notices a difference in the amount or type of currency specified over the phone, or a delay in shipment, he/she immediately must contact the Bank of America and inform the trader of the correction/difference.

3. A separate SF 215, for each type of currency, prepared by the DO, will accompany all foreign currency transactions forwarded by the DO. The SF 215 will indicate the DO mailing date, the ALC, and, in Block 4, the amount of the net U.S. dollar proceeds. In the Agency Use block of the SF 215, indicate the name of the foreign country, type and amount of foreign currency, and the 5-digit client number. Bank of America, upon sale of the currency, will give dollar credit through Ca\$h-Link, and return the confirmed copy of the SF 215 to the DO.

4. If the DO makes a deposit ticket error, the Bank of America will adjust the error by preparing an SF 5515, Debit Voucher, for a decrease or an additional SF 215 for an increase in the amount. The Bank of America will provide an explanation of the adjustment on the SF 5515 or SF 215, including the original SF 215. Copies of the SF 5515 or SF 215 will be sent to the DO.

5. For foreign currency found to be counterfeit, out of circulation, or outdated (having lesser value), the Bank of America will prepare an SF 5515 and note thereon the date of receipt, the currency note, and the serial number. A facsimile copy of the counterfeit will be sent on request.

6. Shipping procedures. DOs must comply with the requirements for shipment of public funds contained in section 0505 of this volume whenever shipping foreign currencies. In addition, DOs must comply with the following provisions:

a. For transactions under \$100 (USE), the U.S. Postal Service should be used. A sturdy brown envelope should be reinforced with standard shipping tape and addressed to the P.O. Box listed below. Ship transactions under \$100 via certified mail.

b. For transactions between \$100 to \$5,000 (USE), the envelopes should be packaged in the same manner as described above and addressed to the P.O. Box listed below, but shipped via registered mail. This type of shipment is covered by insurance provided by the Bank of America.

c. Address the above referenced currency shipments to:

Bank of America
FCS-LAOC No. 4658

P.O. Box 54529
Los Angeles, CA 90054-0529

Do not mark or otherwise outwardly identify the contents of these shipments.

d. For transactions over \$5,000 (USE), the currency should be packaged and placed within a Brinks self-sealing shipping bag. Instructions for sealing the bags are on each bag. Should a bag be needed, the Bank of America will instruct Brinks to arrive for pick-up with a bag or forward bags via Federal Express. Where service is not available by Brinks, an alternate method may be arranged. Package the currency tightly, enclose in a Brinks shipping bag, and address to:

Bank of America
Foreign Currency Services
525 South Flower Street, B-Level
Los Angeles, CA 90071

7. Trading Hours. The Bank of America trading center is open 8:00 a.m. to 8:00 p.m. (Eastern Standard or Daylight Time (as appropriate)), Monday through Friday. The trading center is closed only when both Canadian and U.S. Holidays coincide; for example, New Year's and Christmas. Should Saturday access be required, prior arrangements can be made with Bank of America.

130307. Accounting for Deposits

A. Foreign Negotiable Instruments. Pending receipt of the confirmed copy of the SF 215 for the negotiable instruments, as described in paragraph 130306.C, above, the deposit shall be recorded on line 6.7 of the DD Form 2657 as Cash in Transit at the U.S. dollar value of the funds when the deposit was mailed. If the confirmed copy of the SF 215 is not received prior to the end of the month in which mailed, the item shall also be reported on line 6.7 of the SF 1219 as Cash in Transit. The depository will enter the net U.S. dollar proceeds in Block 4 of the SF 215 and distribute the copies as for any regular deposit. Upon receipt of the confirmed copy, the DO shall enter the confirmed amount on line 4.2A of the DD Form 2657 as a Deposit Presented or Mailed to Bank and on line 6.7 as a decrease to Cash in Transit. Any difference in the amount of the confirmed SF 215 and the amount at which carried by the DO on line 6.7 (as distinguished from exchange fees and collection charges) shall be accounted for as either a gain or a loss by exchange transaction as prescribed in section 1304, below. Note that deposits of foreign negotiable instruments in accordance with this section are not reported as "Deposits Presented or Mailed to Bank" until the confirmed copy of the SF 215 is received. This requirement is because the U.S. dollar value to be reported as deposited is not known to the DO until the confirmed copy is received.

B. Foreign Currency (Cash). Since the U.S. dollar equivalent of the foreign currency deposit made as prescribed in paragraph 130305.E, above was provided by the Bank of

America's foreign currency trading desk and entered in Block 4 of the SF 215, account for the deposit as prescribed in Chapter 5, subparagraph 050301.C, of this volume.

130308. Dishonored Foreign Checks, Drafts, and Money Orders. Dishonored foreign instruments received by DoD DOs shall be subject to regular debt collection procedures as prescribed in Chapter 4 of this volume. When dishonored instruments received in providing accommodation exchange services prove to be uncollectible, the DO shall request removal of the dishonored check item deficiency from the supporting DFAS Center as prescribed in Chapter 4 of this volume.

★ 130309. Mutilated or Unfit Foreign Currency. Mutilated or unfit foreign currency shall be handled by a DO in the area in which the currency is legal tender. DOs in foreign areas shall contact local banks or fiscal authorities and arrange for the exchange of mutilated or unfit currency for fit currency. Unfit foreign currency held by a DO outside the area in which the currency is legal tender shall be forwarded to a DoD DO in the country where the currency is legal tender. The currency shall be shipped under a properly completed DD Form 165 and a letter of transmittal requesting a U.S. Treasury exchange-for-cash check. Any mutilated or unfit foreign currency which the DO cannot exchange for fit currency or a U.S. Treasury check shall be deposited with the Bank of America per instructions in paragraph 130306.E. Mutilated or unfit foreign currency shall be shipped to the Bank of America at the address in subparagraphs 130306.E.6.c or 130306.E.6.d.

130310. Counterfeit or Altered Foreign Currency. Counterfeit or altered foreign currency shall be disposed of in accordance with any applicable agreement which may exist between the United States and the foreign country. If no agreement exists, the currency shall be forwarded to the appropriate investigative agency or to the nearest military security agency. A receipt for the currency shall be obtained. The counterfeit currency shall be accounted for in the DO's records in the same manner prescribed in Chapter 5 of this volume for counterfeit U.S. currency. When the DO is considered at fault in acquiring counterfeit currency, the DO shall be held accountable for the value of the currency. Requests for relief may be submitted under the same guidelines that would be used for counterfeit U.S. currency.

★1304 FOREIGN CURRENCY EXCHANGE RATES

★ 130401. U.S. Treasury Prevailing Rate of Exchange

★ A. General

1. The prevailing rate of exchange (see Definitions) is the most favorable rate that is legally available to the U.S. Government for the acquisition of foreign currencies for its official disbursements and accommodation exchange transactions. If the currency of any one country is obtained from more than one of the following sources, separate accountability for exchange rate adjustments must be maintained. The following sources of obtaining foreign currency are presented in the desired order of acquisition:

- a. DoD Contract Military Banking Facility (MBF), paragraph 130203 applies;
- b. U.S. Government sources, paragraph 130204 applies; or
- c. Commercial sources, paragraph 130205 applies.

2. Unless otherwise authorized by the Treasury Department, all foreign currency (including the limited depository checking account) shall be carried in the DO's account at the Treasury Department prevailing rate. Disbursements for official expenditures or accommodation exchange transactions shall be computed to avoid gains or losses, due to fluctuations in rates of exchange, as much as possible. In countries where the rate of exchange is not established by agreement between the U. S. Government and the foreign country or where a DoD Contract Military Banking Facility (MBF) is not available, foreign currency transactions will be conducted at the Treasury Department prevailing rate using the average purchase rate of the currency on hand as determined by the average purchase rate method outlined in paragraph 130402, below.

★ B. Gain or Loss by Revaluation. Except when using the average purchase rate method outlined in paragraph 130402, any change in the Treasury Department prevailing rate will result in a gain or loss by revaluation since revaluation is a change in the U.S. dollar value of the foreign currency. Whenever possible, the revaluation of foreign currency on hand (including limited depository checking accounts) shall be accomplished at the beginning of the business day in which a rate change occurs. The new U.S. dollar value shall be determined by dividing the total foreign currency on hand (including limited depository checking accounts) by the new exchange rate. By comparing the U.S. dollar value at the old rate to the U.S. dollar value at the new rate, a determination can be made whether a gain or loss by revaluation has occurred. Because all foreign currency held by the DO is carried in the disbursing account at the U.S. dollar value, the U.S. dollar value must be adjusted by the amount of the gain or loss. This adjustment is accomplished by recording the gain or loss by revaluation as a collection or disbursement transaction in the DO's account.

★ C. Accounting for Gains and Losses by Revaluation. Except when using the average purchase rate method outlined in paragraph 130402, gains shall be credited using DD Form 1131 and losses shall be charged using SF 1034 citing the appropriation Gains and Deficiencies Exchange Transactions, **-6763. Show the computation of the revaluation gain or loss on the DD Form 1131 or SF 1034, as appropriate. For balance of payments purposes, credits and charges to appropriation **-6763 are coded as U.S. dollar transactions. Use appropriation **-6763 only for gains and losses due to foreign currency revaluations and as prescribed in Chapter 4 of this volume. This appropriation shall not be used for operational expenses in connection with the acquisition or disposition of foreign currency or any other purpose not specifically authorized by law. Appropriation **-6763 is not related to and has no relationship with the Foreign Currency Fluctuations, Defense (FCFD) or the Foreign Currency Fluctuations, Construction, Defense

(FCFCD) accounts that are used to account for the difference between the budgeted foreign currency rate and the exchange rate at which funds are obligated. The FCFD and the FCFCD portion of a foreign currency disbursement are treated separately on the disbursement voucher by the preparer as a charge to the appropriate foreign currency centrally managed allotment account set up for that purpose.

★ D. Gains or Losses on Security Deposits due to Foreign Currency Fluctuation

★ 1. Procedures. Military service members stationed in overseas areas are authorized to be paid advanced overseas housing allowance for security deposits to acquire leased housing. As authorized by the Joint Federal Travel Regulations, chapter 9, the supporting disbursing officer pays the necessary amount in the appropriate local currency and charges the appropriate military personnel appropriation for the U. S.-dollar equivalent. Service members must not be paid this allowance in U. S. dollars which they must then convert to local currency.

★ 2. Accounting. At lease termination, service members must return the total amount of deposit in local currency and are to be given a receipt. The U. S.-dollar equivalent is credited back to the appropriation that was charged when the deposit was advanced. The current rate of exchange will be compared with the rate in effect on the date the advance was made to secure the lease. Any loss/gain due to currency fluctuation is charged/credited to the current military personnel appropriation.

★ 130402. U.S. Treasury Prevailing Rate of Exchange - Average Purchase Rate Method. In countries where the rate of exchange is not established by agreement between the U.S. Government and the foreign country or a DoD Contract Military Banking Facility (MBF) is not available, the DO will disburse from his or her account using the average purchase rate method. When the amount of foreign currency on hand (including depository checking accounts) is increased by purchase from a commercial source at a rate different from the DO's current holding rate, a new average purchase rate will be determined. No gain or loss will result.

★ A. The average purchase rate is determined by adding the U.S. dollar equivalent value of the foreign currency on hand prior to the new acquisitions to the U.S. dollar equivalent value of the additional foreign currency received and dividing the total into the new total of foreign currency units on hand. Round average rates to five decimal places. Due to this rounding, the ratio of foreign currency units to dollars may vary as the supply of currency is depleted. However, do not adjust the average rate until new foreign currency units are acquired. If possible, determine the average value of foreign currency on hand (including depository checking accounts) at the beginning of the business day. A certificate of change in the average purchase rate similar to the example provided in figure 13-3 will be prepared and signed by the DO or deputy. Submit the certificate with the SF 1219. If it is necessary to recompute the average purchase of foreign currency on hand during a business day, the certificate of revaluation will include a citation of the voucher number of the last disbursement or collection voucher executed under the old rate of exchange. If none have been executed during the current business day, indicate none.

★ B. Adjustments Due to Rounding. Due to the rounding on individual transactions (disbursements/collections), a difference in the U. S. dollar value of foreign currency on hand may occur resulting in a minor gain or loss. (The balance of foreign currency divided by the current rate of exchange (carried to five decimal places) equals the exact U. S. dollar value of foreign currency on hand.) To compensate for any minor gains/losses, the disbursing officer must, as part of the daily balancing process, adjust the U. S. dollar value of foreign currency on hand.

For example: The following reflects transactions occurring on January 3, 19XX:

<u>FOREIGN UNITS</u>	<u>U. S. DOLLAR VALUE</u>	<u>RATE OF EXCHANGE</u>
107,275,503 (Balance)	\$ 854,512.60	125.53999
<u>751,883,562</u> (Purchased)	<u>\$6,000,000.00</u>	
859,159,065 (Balance)	\$6,854,512.60	125.34211*
<u>- 9,396,641</u> (Disbursed)	<u>- 74,967.95</u>	
849,762,424	\$6,779,544.65	

Actual U. S. Dollar Value

849,762,424 (# of foreign units) divided by rate of exchange 125.34211 = \$6,779,544.59.

This results in a minor loss of \$.06 (\$6,779,544.65 less 6,779,544.59) due to rounding of individual vouchers.

*Note: When a new rate of exchange is computed due to the purchase of additional foreign currency, the number of foreign units divided by the rate of exchange will not always accurately reflect the U. S. dollar value.

1. Accounting for Gains and Losses Due to Rounding. All gains/losses due to rounding shall be credited or charged, as applicable, (using DD Form 1131 or SF 1034) to the appropriation Gains and Deficiencies on Exchange Transactions, **_6763. The Certificate of Adjustment prescribed below shall be attached to the voucher to support the transaction.

2. Certificate of Adjustment. A Certificate of Adjustment Due to Rounding, similar to the example provided in figure 13-4, will be prepared and signed by the disbursing officer when a minor gain/loss results.

1305 CONTRIBUTED CURRENCIES

130501. Policy. The policy for utilization of contributed currencies and the types of expenses which are authorized to be paid with the contributed currencies are prescribed in DoD Instruction 2110.31 (reference (ag)).

130502. Procurement. Designated DoD DOs shall purchase contributed currency from Department of State DOs with U.S. Treasury exchange-for-cash checks or U.S. currency. The amount of contributed currency on hand shall be limited to current cash requirements as prescribed in Chapter 3 of this volume.

130503. Utilization. Contributed currency shall be utilized to the maximum extent possible in lieu of U.S. currency or other purchased foreign currency for expenditures authorized to be paid in contributed currency.

130504. Accounting. Contributed currencies shall be recorded and reported in the DO's account in the same manner as other foreign currencies. The regularly prescribed foreign currency records and reports shall be maintained and submitted in the usual manner. In addition, appropriate internal controls shall be established as necessary to identify acquisitions and dispositions of contributed currencies and to provide a record of contributed currency transactions. Additional local records shall be maintained and reports made concerning utilization of contributed currency as may be prescribed by commanders responsible for administration of the Security Assistance Program.

REQUEST FOR BID <i>(Purchase/Sale)</i>			
SECTION I – PURCHASE			
1. DISBURSING ACTIVITY NAME AND LOCATION USS FAIRFAX COUNTY (LST-1193) FPO AE 09569-1814		2. DSSN 8289	
3. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER BANCA COMMERCIALE ITALIANA BRINDISI, ITALY			
PLEASE INDICATE THE NUMBER OF CURRENCY UNITS DESCRIBED IN ITEM 4 YOU WILL FURNISH IN EXCHANGE FOR EITHER A CHECK DRAWN ON THE TREASURER OF THE UNITED STATES OR UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 5.		4. NAME OF FOREIGN CURRENCY REQUESTED ITALIAN LIRE	
		5. U. S. DOLLAR AMOUNT \$10,000.00	
6. DISBURSING OFFICER NAME, RANK OR GRADE WILLIAM B. ELLIS, ENS, SC, USNR		7. DISBURSING OFFICER'S SIGNATURE	
		8. DATE JUNE 22, 19XX	
OFFER IS MADE TO FURNISH THE NUMBER AND TYPE OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 9. THE FORM OF PAYMENT REQUESTED FOR THIS CURRENCY IS INDICATED IN ITEM 10.		9. UNITS AND TYPE OF FOREIGN CURRENCY OFFERED 19,830,000 ITALIAN LIRE	
		10. PAY BY <i>(Check one)</i>	
		a. CHECK b. CASH	
		XXX	
11. NAME AND TITLE OF OFFERING OFFICIAL G. C. PAVALONI, VICE PRESIDENT		12. SIGNATURE OF OFFERING OFFICIAL	
		13. DATE JUNE 24, 19XX	
14. CERTIFICATION			
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.		b. NUMBER OF BIDS 3	
		c. COMMISSIONED OFFICER NAME AND SIGNATURE JOSEPH L. SMITH, LT, USN	
		d. DATE JUNE 25, 19XX	
15. BID ACCEPTED		16. DISBURSING OFFICER NAME AND SIGNATURE WILLIAM B. ELLIS	
		17. DATE JUNE 25, 19XX	
SECTION II – SALE			
18. DISBURSING ACTIVITY NAME AND LOCATION		19. DSSN	
20. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER			
PLEASE INDICATE THE AMOUNT IN UNITED STATES DOLLARS YOU WILL FURNISH IN EXCHANGE FOR THE NUMBER OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 21.		21. NUMBER AND NAME OF FOREIGN CURRENCY UNITS	
22. DISBURSING OFFICER NAME, RANK OR GRADE		23. DISBURSING OFFICER'S SIGNATURE	
		24. DATE	
OFFER IS MADE TO FURNISH UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 25 FOR THE CURRENCY SPECIFIED ABOVE.		25. AMOUNT OF UNITED STATES DOLLARS OFFERED	
26. NAME AND TITLE OF OFFERING OFFICIAL		27. SIGNATURE OF OFFERING OFFICIAL	
		28. DATE	
29. CERTIFICATION			
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.		b. NUMBER OF BIDS	
		c. COMMISSIONED OFFICER NAME AND SIGNATURE	
		d. DATE	
30. BID ACCEPTED		31. DISBURSING OFFICER NAME AND SIGNATURE	
		32. DATE	
33. REMARKS			

DD Form 2668, AUG 93

**Figure 13-1. Sample DD Form 2668 (Request for Bid (Purchase/Sale))
(Purchase of Currency)**

REQUEST FOR BID (Purchase/Sale)				
SECTION I – PURCHASE				
1. DISBURSING ACTIVITY NAME AND LOCATION		2. DSSN		
3. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER				
PLEASE INDICATE THE NUMBER OF CURRENCY UNITS DESCRIBED IN ITEM 4 YOU WILL FURNISH IN EXCHANGE FOR EITHER A CHECK DRAWN ON THE TREASURER OF THE UNITED STATES OR UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 5.		4. NAME OF FOREIGN CURRENCY REQUESTED	5. U. S. DOLLAR AMOUNT	
6. DISBURSING OFFICER NAME, RANK OR GRADE	7. DISBURSING OFFICER'S SIGNATURE		8. DATE	
OFFER IS MADE TO FURNISH THE NUMBER AND TYPE OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 9. THE FORM OF PAYMENT REQUESTED FOR THIS CURRENCY IS INDICATED IN ITEM 10.	9. UNITS AND TYPE OF FOREIGN CURRENCY OFFERED		10. PAY BY (Check one)	
			a. CHECK	b. CASH
11. NAME AND TITLE OF OFFERING OFFICIAL	12. SIGNATURE OF OFFERING OFFICIAL	13. DATE		
14. CERTIFICATION				
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	b. NUMBER OF BIDS	c. COMMISSIONED OFFICER NAME AND SIGNATURE	d. DATE	
15. BID ACCEPTED		16. DISBURSING OFFICER NAME AND SIGNATURE	17. DATE	
SECTION II – SALE				
18. DISBURSING ACTIVITY NAME AND LOCATION USS FAIRFAX COUNTY (LST-1193) FPO AE 09569-1814		19. DSSN 8289		
20. NAME AND ADDRESS OF BANK, FINANCIAL INSTITUTION, OR FOREIGN EXCHANGE DEALER BANCA COMMERCIALE ITALIANA BRINDISI, ITALY				
PLEASE INDICATE THE AMOUNT IN UNITED STATES DOLLARS YOU WILL FURNISH IN EXCHANGE FOR THE NUMBER OF FOREIGN CURRENCY UNITS INDICATED IN ITEM 21.		21. NUMBER AND NAME OF FOREIGN CURRENCY UNITS 9,900,000 ITALIAN LIRE		
22. DISBURSING OFFICER NAME, RANK OR GRADE WILLIAM B. ELLIS, ENS, SC, USNR	23. DISBURSING OFFICER'S SIGNATURE		24. DATE JULY 12, 19XX	
OFFER IS MADE TO FURNISH UNITED STATES DOLLARS IN THE AMOUNT INDICATED IN ITEM 25 FOR THE CURRENCY SPECIFIED ABOVE.		25. AMOUNT OF UNITED STATES DOLLARS OFFERED \$5,000.00		
26. NAME AND TITLE OF OFFERING OFFICIAL G. C. PAVALONI, VICE PRESIDENT	27. SIGNATURE OF OFFERING OFFICIAL		28. DATE JULY 12, 19XX	
29. CERTIFICATION				
a. CERTIFIED TO BE THE MOST BENEFICIAL BID.	b. NUMBER OF BIDS 3	c. COMMISSIONED OFFICER NAME AND SIGNATURE JOSEPH L. SMITH, LT, USN	d. DATE JULY 13, 19XX	
30. BID ACCEPTED		31. DISBURSING OFFICER NAME AND SIGNATURE WILLIAM B. ELLIS	32. DATE JULY 13, 19XX	
33. REMARKS				

DD Form 2668, AUG 93

**Figure 13-2. Sample DD Form 2668 (Request for Bid (Purchase/Sale))
(Sale of Currency)**

**3RD FORCE SERVICE SUPPORT GROUP
FLEET MARINE FORCE
FPO SAN FRANCISCO**

October 4, 19XX

CERTIFICATE OF CHANGE IN AVERAGE PURCHASE RATE

	<u>Yen</u>	<u>U.S.Dollars</u>
Total amount of Japanese Yen on hand at close of business October 3, 19XX	220,000 at 98/\$1.00	\$2,244.90
Japanese Yen received this date through sale of Treasury check No. 196,240 for \$10,000	<u>200,000</u> at 102/\$1.00	<u>\$1,960.78</u>
Totals	420,000	\$4,205.68

420,000 Yen divided by \$4,205.68 equals 100/\$1.00, averaged new rate for on hand Japanese Yen, based on its prior purchase exchange rate and the new exchange purchase rate for the Yen purchased on October 4, 19XX.

No collection or disbursement vouchers processed this date prior to revaluation of Japanese Yen.

J. A. HANCOCK
DSSN 6870

Figure 13-3. Sample Certificate of Change in Average Purchase Rate

U.S. NAVAL STATION ROTA SPAIN			
			January 3, 19XX
CERTIFICATE OF ADJUSTMENT DUE TO ROUNDING			
<u>PESATAS</u>	<u>US DOLLAR VALUE</u> (based on individual cumulative transactions)	<u>US DOLLAR VALUE</u> (based on rate of exchange of \$125.34211=\$1)	<u>DIFFERENCE</u> (loss/gain)
849,762,424	\$6,779,554.65	\$6,779,544.59	\$(-.06)
J. A. HANCOCK Symbol 6870			

★ Figure 13.4. Sample Certificate of Adjustment Due to Rounding